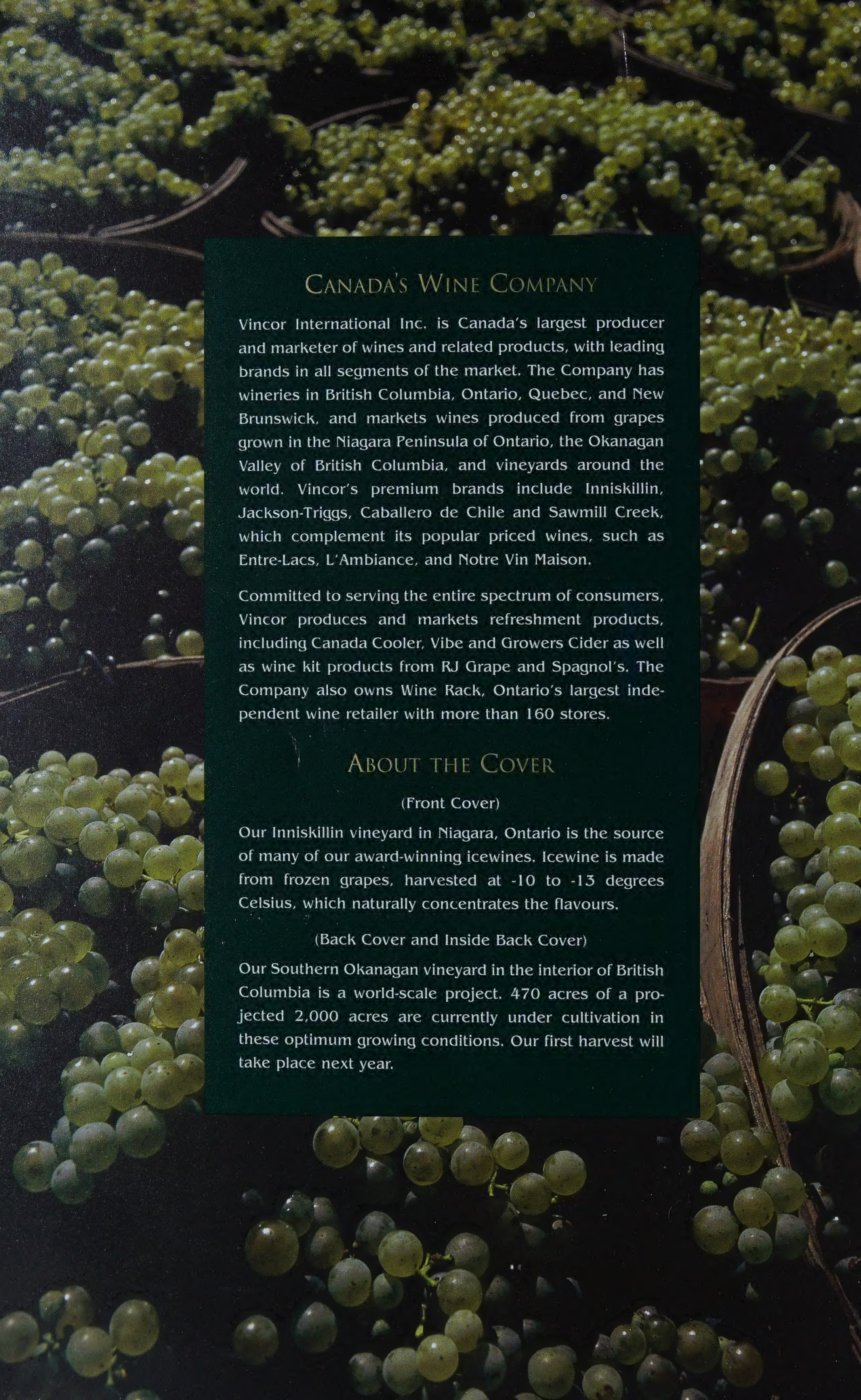
ANNUAL REPORT 1999

VINCOR

INVESTING IN GROWTH



Canada's Wine Company

Vincor International Inc. is Canada's largest producer and marketer of wines and related products, with leading brands in all segments of the market. The Company has wineries in British Columbia, Ontario, Quebec, and New Brunswick, and markets wines produced from grapes grown in the Niagara Peninsula of Ontario, the Okanagan Valley of British Columbia, and vineyards around the world. Vincor's premium brands include Inniskillin, Jackson-Triggs, Caballero de Chile and Sawmill Creek, which complement its popular priced wines, such as Entre-Lacs, L'Ambiance, and Notre Vin Maison.

Committed to serving the entire spectrum of consumers, Vincor produces and markets refreshment products, including Canada Cooler, Vibe and Growers Cider as well as wine kit products from RJ Grape and Spagnol's. The Company also owns Wine Rack, Ontario's largest independent wine retailer with more than 160 stores.

About the Cover

(Front Cover)

Our Inniskillin vineyard in Niagara, Ontario is the source of many of our award-winning icewines. Icewine is made from frozen grapes, harvested at -10 to -13 degrees Celsius, which naturally concentrates the flavours.

(Back Cover and Inside Back Cover)

Our Southern Okanagan vineyard in the interior of British Columbia is a world-scale project. 470 acres of a projected 2,000 acres are currently under cultivation in these optimum growing conditions. Our first harvest will take place next year.

Financial Highlights

Fiscal years ended March 31

Sales

IN $MILLIONS

PINOT NOIR

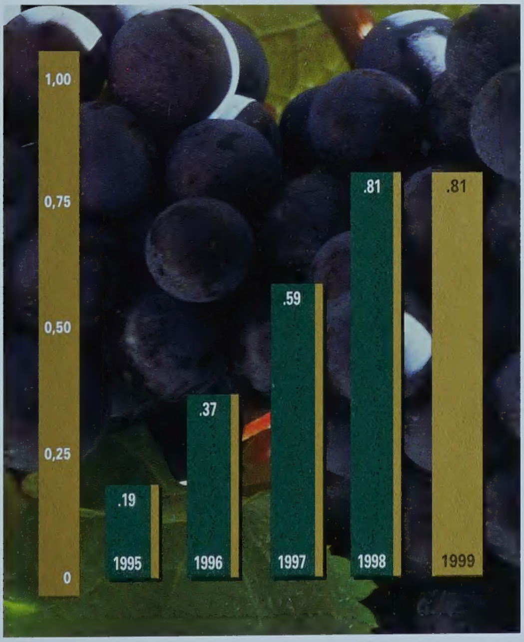
Operating Income

IN $MILLIONS

CHARDONNAY

Fully Diluted Earnings Per Share

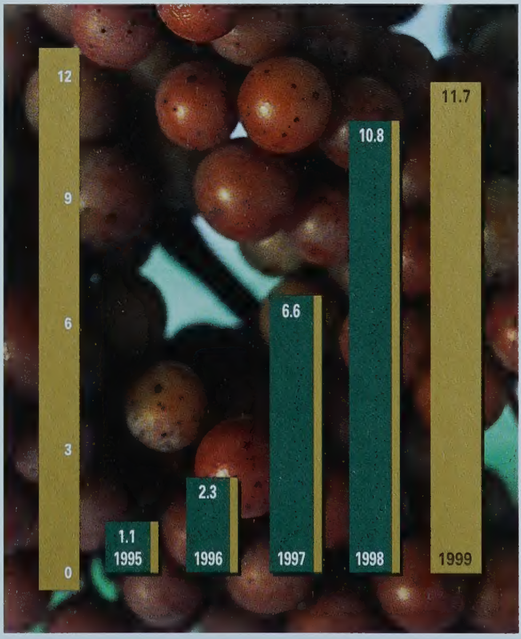
IN $



MERLOT

Net Income

IN $MILLIONS



VIDAL

To Our Shareholders

Investing in Quality Growth

Fiscal 1999 was a landmark year for Vincor International Inc. Driven by acquisitions and rising sales in our portfolio of quality premium wines, our Company's growth outpaced that of the overall Canadian wine industry. Equally important, during the year we pioneered innovative programs that firmly established Vincor as Canada's leader in the development of quality wines.

A Year of Continued Growth

In fiscal 1999 Vincor's net sales and income both increased significantly. Net income rose 8% to $11.7 million. Excluding a prior years' tax refund of $0.7 million received in 1998, net income increased by 16%. The increase in net income, however, was not reflected in earnings per share because of the tax refund, combined with the issuance of 2.0 million common shares in the second quarter of fiscal 1998. In 1999, basic earnings per share was $0.84 compared with $0.85 the previous year, while fully diluted earnings per share was unchanged at $0.81.

Net sales increased 23% or $46.8 million in 1999 to $253.2 million. Acquisitions added 24% to sales volume or $41.5 million to sales. Growth in premium brands and refreshment beverages each added to sales volume, but this growth was offset by a decrease in popular brands and other products. While sales volumes outside of acquisitions declined overall, the higher proportion of premium brands and higher average net selling prices increased net sales by $5.3 million.

With this sales growth, Vincor far outpaced growth in the Canadian market, estimated at 6% overall for 1999. During the year, the Company's sales represented 25% by volume of the total sales in Canada for wine, refreshment beverages and wine kits.

Focus on Premium Growth Sustains Earnings

Our growing financial strength is rooted in our focus on quality – a focus based on our understanding of consumers' developing taste for premium wines. Over the last four years, national sales volume of popular priced wine has declined 6% on average, while growth has escalated for higher priced brands. Segment growth rates accelerate as wine quality improves: 11% annual average growth for premium wines, 24% for super premium brands, 29% for ultra premium, and 35% for specialty wines, including icewine.

To satisfy changing tastes, we continued to strategically restage our portfolio. In 1995, only 17% of our table wine sales were for brands of premium or higher quality, while 83% were for popular priced brands; today, popular brands account for just 59% of our sales, with premium and higher quality wines rising to 41%. Vincor's portfolio management will respond to the needs and desires of the consumer.

Building Quality Brands

We have built our portfolio of quality brands through a broad range of initiatives, including: acquisitions; brand development; and joint ventures that will generate long-term growth in our volumes of quality wine.

In recent years, we have successfully targeted appropriate acquisitions and integrated them effectively into our business, generating a return exceeding our cost of capital. During the coming year we will realize synergies and earnings growth from our most recent acquisitions, Groupe Paul Masson and Spagnol's.

For both our popular and premium brands, we are focused on consumer communications, including advertising, in order to build brand equity and long-term growth. Inniskillin, Jackson-Triggs and Sawmill Creek are now among the most prominent Canadian premium brands.

Indeed, Inniskillin Icewine is the best known Canadian wine label around the world. Vincor has successfully established this ultra premium brand as a popular choice in the Duty Free Shops chain throughout Asia. To drive the brand's growth over the next year, we will launch Inniskillin Icewine in key US markets, such as New York, California and Hawaii.

Led by award-winning ultra premium labels, Jackson-Triggs has become the Canadian wine success story in the five years since its launch. Over the next few years, we will increase investment in the future of the brand by adding resources to further improve quality, and to expand production capacity for premium wines. We also plan to anchor the brand in a Niagara vineyard.

Supported by a new advertising campaign and line extensions such as Reserve Chardonnay, Reserve Cabernet Sauvignon and Cigar Reserve fortified dessert wine, Sawmill Creek is also broadening its appeal as a premium varietal brand. In fiscal 1999, we introduced a limited run Sawmill Creek Icewine, adding to our family of Inniskillin and Jackson-Triggs icewine labels.

Future Growth

In Western Canada, Vincor is making progress – and history – on our exciting Okanagan Valley estate vineyard. As we announced last year, Vincor has signed a long-term agreement to develop up to 2,000 acres of virgin land in the South Okanagan. This unique region in the highly-desirable South Okanagan is ideal for consistently achieving optimum ripeness of premium Bordeaux varieties such as Cabernet Sauvignon and Merlot.

Don Triggs and Chief Clarence Louie in the South Okanagan vineyard.

To date, we have planted 470 acres, and are preparing another 450 for planting. A modest first harvest will take place next year. When in full production, this initial 470 acres will add $10-15 million in sales, increasing our current sales by about 5%. We anticipate that our profit growth will exceed this revenue increase, because of the vineyard's impact in cost-effectively acquiring grapes to support our growth in super and ultra premium wine.

A World of Wine

Vincor is rapidly expanding its presence in the important negociant and import market. Over 60% of the wines consumed in Canada originate in other countries, and consumers' taste for premium imports continues to grow. To ensure that Vincor gains a strong share of this segment, we are building our portfolio of negociants – foreign wines bottled in Canada under trademarks owned by Vincor. Last year we successfully introduced the premium Australian brand Silverthorne, while increasing the popularity of our other negociant brands, such as our Chilean brand Santa Isabela. Vincor is currently exploring other countries of origin to capitalize on our expertise in developing negociant brands.

In May 1998, in a creative new initiative to increase our share of the French wine segment, Vincor signed a joint venture agreement with Groupe Boisset, the largest wine company in Burgundy, France. Through our partnership with Boisset, we have introduced the premium varietal Boisset Mediterranée brand from Languedoc-Roussillon.

Growth in Home Wine-Making

We are also focussing on premium growth home wine-making products. Taxation policy created this market by enabling our consumers to save money by making their own wine. This market is experiencing the same drive to quality as other market segments, with buyers increasingly seeking out premium kits. For Vincor the acquisitions of RJ Grape and Spagnol's have allowed us to participate in this expanding market, and to bring to home wine makers the commitment to ever-increasing quality.

Our Retail Presence

The quality and strength of our key lines of business – wine, wine kits, and refreshment beverages – have allowed Vincor to prosper despite government decisions that have reduced sales in the private retail market. Before the Liquor Control Board of Ontario opened its stores to Sunday shopping, our Wine Rack stores took in approximately 40% of their revenues on Sunday. Now, Sunday accounts for just 20% of revenues. Overall, our retail revenues have declined from 22% to 16% of our business, partly because of this significant policy change and partly because Vincor continues to grow quickly in other segments of our business.

Regrettably, the decline in sales experienced by Ontario Winery retail stores has resulted in surpluses of some grape varieties that have seriously impacted Ontario grape growers. Although the government decision has also clearly affected our business, Vincor has positioned Wine Rack to thrive in the future. We have renovated and relocated many stores to provide a more appealing shopping destination for consumers. As well, our stores are valuable to the Company not only as a source of profit, but also as a launching pad for new products, and as a strong platform for driving the growth of our premium portfolio.

The Regulatory Environment

As the Sunday shopping issue indicates, government policy is a critical factor in our highly regulated business. On a positive note, a recent regulatory change now enables Ontario wineries to sell Vintners Quality Alliance (VQA) wine directly to restaurants, keeping the markup previously collected by the LCBO. This places the Ontario industry on a level playing field with other wine producing regions.

As well, in May the Ontario government passed the Vintners Quality Alliance Act. This passes into law the VQA appellation and quality regulations for wine made exclusively from grapes grown in Ontario, and is fundamental to enhancing our industry's standards and reputation for quality.

Investing in Margin and Profit Growth

As part of our drive to increase profits, Vincor signed a 10-year contract in September 1998 with a leading glass supplier. This contract immediately provided $1.3 million in annual savings, through a 5% reduction in costs, guaranteed for three years without increase. Our ability to partner with this company to reduce costs reflects our significant volumes as Canada's leading wine maker and marketer.

Looking Back, Looking Forward

As we look back at fiscal 1999, it is clear that our overall strategies position us well for the future. Vincor continues to lead the Canadian industry in growing a premium, ultra premium and super premium portfolio. And we are growing this portfolio through exciting and diverse initiatives – from carefully targeted acquisitions, to knowledgeable brand development, to strategic partnerships that add to our base of expertise in creating and marketing world-class quality wine. In the coming year, Vincor will pursue our vision of building a company that is a leader in quality growth both at home and around the globe.

Donald L. Triggs

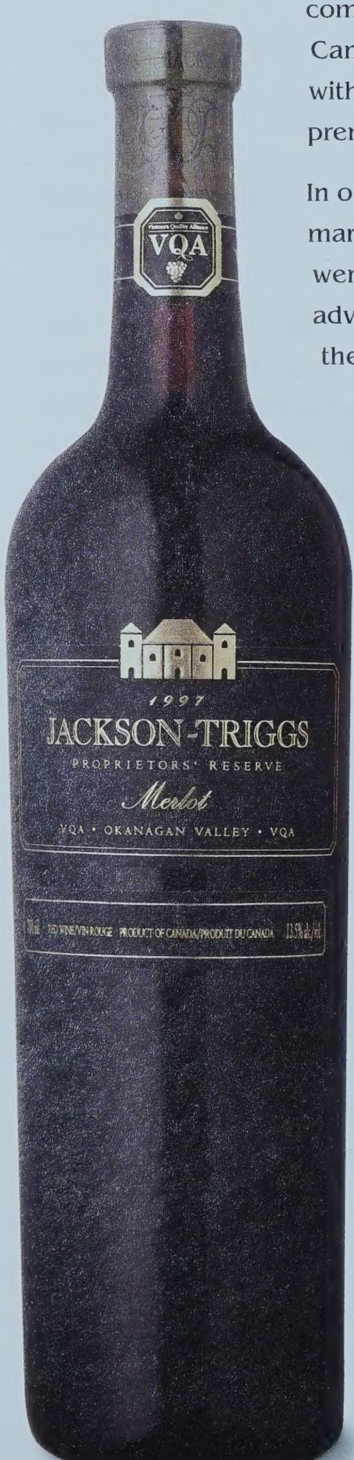
Donald L. Triggs
President and Chief Executive Officer

The Year in Review
Investing in the Evolution of Our Brands

Jackson-Triggs

As Canada's leading brand of premium varietal wines, Jackson-Triggs' reputation is rising among connoisseurs of premium and super premium wines.

That's good news for Vincor, considering that the market for premium wines is growing at 11% annually, while the super premium market is growing at 24%. These markets combined represent approximately 55% of table wine sales in Canada. Jackson-Triggs continues to outperform the market with our Proprietors' Selection premium line up 23% and the super premium Proprietors' Reserve up 68%.



In our drive to broaden the appeal of the brand to this ever-expanding market, many exciting initiatives took place in fiscal 1999. All labels were redesigned to make them more elegant and upscale. A new advertising campaign was also developed to heighten awareness of the brand and to communicate the quality attributes of the wines. Considered break-through creative in the wine industry, these four ads ran from September through December and were measured to have reached over 5 million households.

In fiscal 1999, Jackson-Triggs moved to the front of the stage in Canadian and international wine competitions.

The 18th Annual Okanagan Wine Festival was held in September 1998. Jackson-Triggs swept the International Judging Awards, winning a total of nine medals, including the only gold medal awarded.

Gold

1996 Proprietors' Grand Reserve Riesling Icewine

Silver

1996 Proprietors' Reserve Dry Riesling
1996 Proprietors' Reserve Merlot
1997 Proprietors' Reserve Riesling Icewine

Bronze

1997 Proprietors' Reserve Chardonnay
1997 Proprietors' Reserve Riesling Icewine
1997 Proprietors' Reserve Blanc de Noir
1997 Proprietors' Reserve Dry Riesling
1997 Proprietors' Reserve Pinot Blanc

At the All-Canadian Wine Championships in May 1999, Jackson-Triggs was the pre-eminent winery with a total of 14 medals and had the distinction of winning the most (11) gold and silver medals.

Gold

1997 Riesling Icewine, Grand Reserve – BC
1997 Cabernet Sauvignon, Proprietors' Reserve – BC
1997 Riesling Icewine, Proprietors' Reserve – BC
1996 Riesling Icewine, Proprietors' Reserve – BC

Silver

1997 Pinot Noir, Proprietors' Reserve – BC
1997 Pinot Blanc, Proprietors' Reserve – BC
1997 Gewürztraminer, Proprietors' Reserve – BC
1997 Blanc de Noir, Proprietors' Reserve – BC
1997 Merlot, Proprietors' Reserve – BC
1997 Chardonnay, Proprietors' Reserve – BC
1996 Merlot, Proprietors' Reserve – BC

In June 1999, Jackson-Triggs was centre stage in Bordeaux France, at the 1999 Challenge International du Vin Competition at VinExpo. Receiving top honours, Jackson-Triggs won a total of 8 medals, the highest number of awards for any Canadian Producer. Among the awards was a gold Medal and also the very prestigious CIVART Award of Excellence, for our 1997 Proprietors' Reserve Riesling Icewine from British Columbia.

Also in June, Jackson-Triggs was recognized at the London (U.K.) International Wine and Spirits Show, winning the Inniskillin Trophy for best icewine and being named Canadian Winery of the Year.

Just days after the big win at VinExpo, Jackson-Triggs received another two gold medals at Brussels' "Concours Mondial". The gold medals were both for icewine from British Columbia's Okanagan Valley, the 1997 Proprietors' Reserve and 1997 Grand Reserve Riesling Icewine.

INNISKILLIN

Inniskillin is the most prominent Canadian wine in the world, offering ultra and super premium wines of exceptional quality.

Throughout fiscal 1999, Inniskillin streamlined its product line to concentrate on specific varietals that meet the strict VQA standards. The select Inniskillin portfolio now includes Chardonnay, Riesling, Pinot Grigio, Pinot Noir, Cabernet Franc, Cabernet Sauvignon, and Merlot. To further enhance quality, we upgraded our vineyard site and fruit selection; our grower education seminars; production facilities; and barrel aging capacity.

To fill the demand for ultra premium wines, Inniskillin focused on Reserve and Single Vineyard bottlings under the Seeger, Klose, Montague, Schuele, and Culp brands. We also launched the Founders' Series, setting new standards for Canadian wine.

Growing conditions in fiscal 1999 were excellent and, at the time of our green harvest in August, we made arrangements at carefully chosen sites for a second fruit thinning to take place among selected Pinot Noir, Chardonnay, Merlot and Cabernet Sauvignon vineyards. This exceptionally high quality fruit will create outstanding, limited edition premium wines to commemorate Inniskillin's 25th harvest.

Inniskillin featured a number of new releases in fiscal 1999. They included: Pinot Noir, Rosé de Saignée, Merlot, Cabernet Franc, and a Pinot Grigio. We also received several distinguished awards. Our 1996 Chardonnay Reserve took home the top Canadian Chardonnay award at the Chardonnay du Monde Competition in Burgundy, France; our 1995 Founders' Show Reserve Pinot Noir and our 1995 Inniskillin Cabernet Sauvignon Reserve won gold medals at the 1998 Air Ontario Competition in Toronto.

In June 1999 at VinExpo in Bordeaux, France, Inniskillin struck gold and more. Inniskillin was honoured with the CIVART: Award of Excellence for our 1997 Vidal Icewine – Niagara Peninsula VQA.

Inniskillin has long been a leader in the development of Canada's wine industry. Last June, Brock University in St. Catharines took another major step in its affiliation with the Ontario grape and wine industry with a ground breaking ceremony for its new Cool Climate Oenology Viticulture Institute (CCOVI). In recognition of our commitment to this important educational institution, the facility is called Inniskillin Hall. It will support future generations of wine makers and viticulturists with advanced research and education as we invest in the future of high quality Canadian wine production.

Donald Ziraldo, President, Inniskillin Wines Inc., and Don Triggs.

Sawmill Creek

Sawmill Creek is a premium varietal brand, rapidly growing in awareness and appeal among Canadian wine consumers. Sawmill Creek's sales volume increased 25% in 1999, outpacing industry growth for premium wines of 11%.

Throughout the year, we elevated the quality and positioning of the brand with a new price point and label. We also added new products to the Sawmill Creek family: a Reserve Chardonnay, a Reserve Cabernet Sauvignon, a Cigar Reserve fortified dessert wine, and an icewine.

The icewine was promoted in our Wine Rack stores at a special price of $29.95. This price promotion combined with a print advertising campaign in selected Ontario newspapers, attracted the attention of wine writers and first time icewine consumers alike.

Sawmill Creek also introduced a new advertising campaign, which will help us broaden the brand's appeal to a new audience. The campaign struck a chord with the mainstream wine consumer and did so in an unconventional way.

Icewine

Icewine is a wine made from pressing frozen grapes, which naturally concentrates the flavours. The grapes are harvested at temperatures between -10 and -13 degrees Celsius.

Last year's market for icewine grew by an incredible 35%, and Vincor led the market.

Overall, fiscal 1999 was a very exciting year for icewine at Vincor. Our 1997 Inniskillin Vidal Icewine was awarded a gold medal at the 7th International Wine Competition at Vinitaly in Verona, Italy. Inniskillin wine also made its Honolulu retail debut at the opening of Vin Glace – the first store in the world devoted exclusively to icewines.

Honolulu is our doorstep to the lucrative Asian market. The Asian icewine market is expanding quickly with the promise of more growth to come in the form of millions of potential consumers. The launch of Vincor's icewines into Duty Free Shops (DFS) in Summer 1999 will give us unprecedented exposure to key Asia-Pacific markets. DFS is the world's leading distributor of luxury goods. Vincor has carved out a truly unique positioning, with our icewines as the first wine product at DFS to receive priority merchandising support. Vincor will continue expanding our production and contacts in the year ahead to help satisfy this world demand.

Negociants are wines imported in bulk and bottled in Canada under trademarks owned by Vincor. Vincor is Canada's leader in the sale of negociant brands.

At present, more than 60% of the wines consumed in Canada originate in other countries, and domestic taste for premium imports continues to grow. To ensure that we maintain an appropriate share of this segment, we are investing in expanding our portfolio.

Part of that building process included the national launch of Silverthorne, a premium Australian brand. The brand has exceeded our expectations in the six months since its launch.

Another initiative was the successful introduction of Santa Isabela into Ontario liquor stores. This brand has been popular in the West for many years and is the number one Chilean brand in British Columbia. Santa Isabela bolstered our success in this segment where we are now a market leader.

In fiscal 1999, Vincor also signed a joint venture agreement with Groupe Boisset, the largest wine company in Burgundy, France. Through this partnership, we have introduced the Boisset Mediterranée line of premium priced varietals from the South of France.

At the present time, we are strategically expanding our negociant portfolio as opportunities arise in the marketplace.

Refreshment

Our refreshment beverages include cider, wine coolers and spirit coolers. This market grew by 16% last year.

In fiscal 1999, we regained our position as Canada's leading cider company, grabbing a 51% share of the national cider market. Led by our flagship Growers Cider brand, we experienced major growth in the western provinces. In Ontario, the cider category is healthy and growing, but it is still in its infancy.

Vex, a vodka-based 7% alcohol/volume Hard Lemonade, was launched in April 1999. Available in two flavours, Lemonade and Cranberry Lemonade, this new product has received a positive initial response from consumers.

This year marked the debut of Mystic Bay, a line of flavour-enhanced varietal wines initially launched with a Strawberry White Zinfandel, Peach Chardonnay, and a Raspberry Cabernet Sauvignon.

Mystic Bay provides a very exciting opportunity to bridge the gap between refreshment beverages and traditional wine consumption.

Home Wine-Making Kits

The trend towards home wine-making has experienced rapid growth over the last few years. The market is currently estimated to represent approximately 25% of all the wine consumed in Canada. Vincor is the leading national wine kit producer and our share in this highly lucrative market is an estimated 25%.

The Vincor portfolio includes two wine kit producers – RJ Grape, based in Kitchener, Ontario, and Spagnol's of Vancouver, British Columbia. In fiscal 1999, RJ Grape expanded distribution by opening new warehouses, one in Quebec and one in Atlantic Canada. The Bacchus brand was launched into the popular-priced segment of the wine-making market, while the Cru Select Platinum line was introduced for the more advanced wine enthusiast who prefers a premium wine. This year also saw the introduction of an award-winning label program. This program offers more than 220 wine bottle labels to the home wine maker.

Home wine makers are cost-conscious yet equally attracted to quality products as are other wine drinkers. Demand is strong and growing for premium kits. In fiscal 1999, Spagnol's introduced two new premium wine kits: Rosso Grande and Bellabianco. Spagnol's also broke into the Quebec market, and secured distribution with Federated Co-op and Calgary Co-op in Western Canada.

In June 1999, Spagnol's opened the doors to its new packaging plant in Delta, British Columbia. This state-of-the-art facility offers the most modern equipment available for the packaging of premium quality wine and beer kits. It also fulfills the mandate to move away from contract packaging, and to improve margins, quality and profits.

Wine Rack

Wine Rack is Vincor's 165 retail store chain. Throughout fiscal 1999, Wine Rack showed strong growth in premium wines, successfully moving customers to purchase higher priced VQA, especially red vinifera wines.

Overall, Vincor's retail business has eroded somewhat since the Liquor Control Board of Ontario opened its doors to Sunday shopping. Prior to the opening, our Wine Rack stores took in 40% of their revenues on Sunday. Now, Sunday accounts for just 20% of revenues.

However, sales of VQA icewine have quadrupled over the previous year through an aggressive merchandising focus at store level. Icewine sales continued to grow, even after the third quarter Christmas and New Year season, with the fourth quarter sales surpassing third quarter results. This rapid growth in premium products reduced the impact of the Sunday volume declines.

We continued to update the look and reposition our stores to a more upscale presentation, completing over 33 capital projects which included 9 new store openings, 11 relocations, and 13 renovations.

Our customers are constantly looking to develop their wine knowledge and as a result, we are focusing on recruiting staff who are wine enthusiasts. Throughout the year, Vincor introduced several new programs aimed at elevating the experience and knowledge of our wine merchants. All of our staff must complete the Wine Council of Ontario Certificate program, and receive an 80% grade to serve as Wine Rack employees. As a result of our efforts, we have seen a dramatic increase in customer satisfaction and average transaction values.

To pave the way for inventory reductions and customer service improvements, Vincor consolidated its Ontario warehousing and distribution. Our new 150,000 square foot distribution centre in Mississauga now holds all finished goods produced in Ontario and is responsible for shipping orders to the LCBO, Wine Rack as well as other liquor jurisdictions across the country. The shift has resulted in considerable savings to the Company as well as providing a better in-stock position to meet consumer demand.

Investing in Growth – Okanagan

Our Okanagan vineyard is a world-scale vineyard project. Situated on a unique bench at the southern tip of the Okanagan Valley in British Columbia, it capitalizes on the intense sunlight in this region to ripen the grapes to full maturity while benefiting from cooling evening air currents from the lake below. These growing conditions optimize fruit ripening to produce the highest quality of VQA wines.

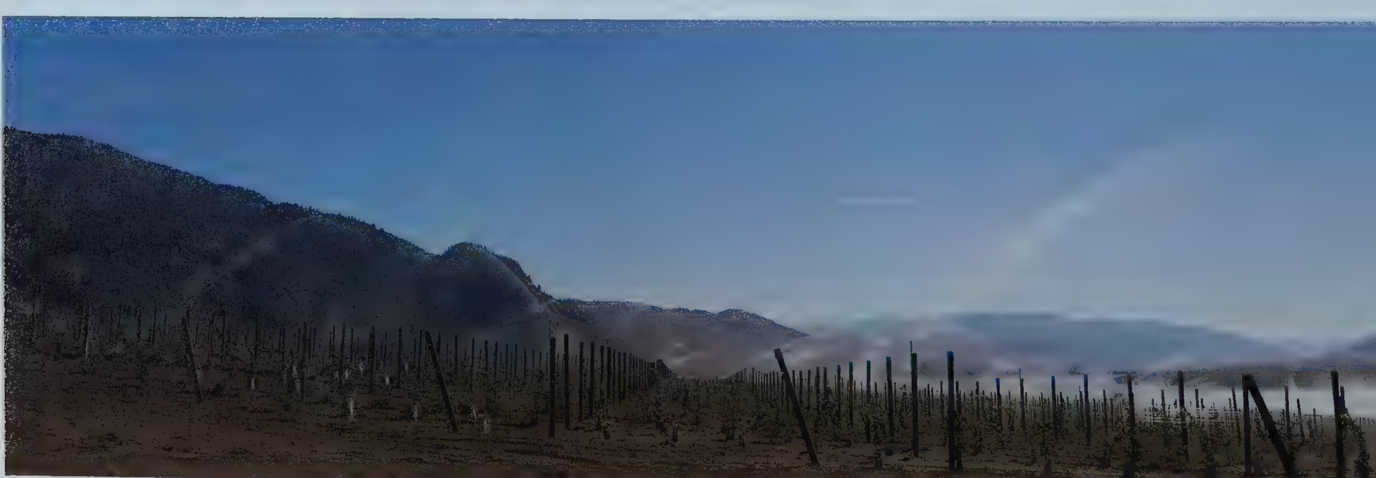
This year, we planted another 340 acres, which brought us to a total of 470 acres planted to date. Our plan is to lease and develop up to 2,000 acres from the Inkameep Indian Band.

The initial vineyard is planted primarily with red wine grapes, which is where the market demand is highest. Varieties include Cabernet Sauvignon, Merlot, and Pinot Noir.

The first harvest will take place next year. When in full production, this initial 470 acre vineyard will add $10-15 million in sales, increasing our current sales by about 5%. We anticipate that our profit growth will exceed this revenue increase, because of the vineyard's impact on reducing our cost of acquiring grapes for super and ultra premium wines.

The vineyard is also one of the most sophisticated and technologically advanced in the world. The entire area has been mapped by satellite to give us a better understanding of slopes, drainage and topographical variances between the sites, and enabling us to get a perfect orientation for maximum air and sun.

As our Okanagan project matures, we will have significant volumes of truly exceptional wines at costs that are globally competitive.



Vincor International Inc. Financial Results

Management's Discussion & Analysis

The following discussion and analysis provides a review of the activities, results of operations and financial condition of Vincor International Inc. (the "Company" or "Vincor") for the fiscal year ended March 31, 1999 ("1999") in comparison with those for fiscal 1998 ("1998"). This discussion should be read in conjunction with the 1999 Consolidated Financial Statements.

Overview

In 1999, Vincor continued to experience growth in earnings with net sales increasing year-over-year by 23% and operating income increasing by 25%. The Company has maintained its strategy of growth through acquisition as well as investing in future growth opportunities.

On June 2, 1998, the Company acquired all the outstanding shares of Groupe Paul Masson ("Paul Masson") for $23.3 million in cash plus the assumption of debt and a provision for rationalization expenses. Paul Masson was a leading manufacturer and distributor of wine and related products in Quebec. This acquisition strengthened the Company's leadership in the Canadian market with the addition of several well-respected brands, including Caballero de Chile, Robert de Serbie and Il Florentino. On February 12, 1999, the Paul Masson production facility was closed and the production was relocated to the Company's existing facility in Rougemont, Quebec. During the next year, the Company will realize the synergies from combining these operations.

In February 1998, the Company purchased Spagnol's Wine & Beer Making Supplies Ltd. ("Spagnol's"). This acquisition complemented the ownership of RJ Grape Products Inc. ("RJ Grape") and strengthened Vincor's market share in Western Canada, making the Company a leading national wine kit producer. During 1999, the Company invested in production equipment that will enable Spagnol's to manufacture their own kits. Future earnings will benefit from this investment through a reduction in product cost and greater flexibility with respect to product development possibilities. Other synergies from this acquisition will be realized in the upcoming year.

Vincor is aggressively addressing key issues facing the Canadian wine industry including ensuring an adequate supply of premium quality grapes. On September 8, 1998, the Company announced that it had entered into a long-term lease agreement for 470 acres in the Okanagan Valley of British Columbia. The Company has planted grapevines for the

production of super and ultra premium wines that will be marketed under the Company's Inniskillin Okanagan, Jackson-Triggs, Sawmill Creek and Okanagan Vineyard brands. The virgin land is being developed through a multi-phase plan with the potential to develop 2,000 acres. Over the last two planting seasons, the Company has developed 470 acres with premium vinifera varieties including Merlot, Cabernet Sauvignon, Chardonnay and Pinot Noir. These vineyards will take approximately five years to reach full production with the initial plantings expected to reach maturity in 2002.

Vincor continues to support the growth and development of its premium brands including Inniskillin, Jackson-Triggs and Sawmill Creek through marketing initiatives and product development. These brands increased their sales volume by 12% year-over-year, which in turn added 1% to the Company's overall sales volume. Over the past four years, the Company has evolved its table wine portfolio from just 17% premium brands in 1995 to 41% premium brands in 1999. Premium and super premium brands now represent approximately 55% of the total table wine market volume in Canada as compared to 35% in 1995.

The opening of Liquor Control Board of Ontario ("LCBO") stores on Sundays on a permanent basis has had a lasting impact on the Ontario winery retail stores volumes. The Company's 165 Wine Rack chain of retail stores realized a decrease in unit sales volume year-over-year of nearly 10%. In light of the competitive environment, the Company has continued its program of renovating, relocating and redesigning a number of stores to enhance their appeal to the consumer. Wine Rack stores have heightened their focus on the Company's premium wine brands. Through these initiatives, the Company has offset some of the effect of LCBO Sunday openings. While unit volumes declined by nearly 10% during the past year, sales in dollars declined by only 5%. Further, the Company's strategy of growth and acquisition in its core business has reduced the relative importance of the Wine Rack stores from 22% of total sales in 1995 to 16% in 1999.

Glass bottles are a major cost component in the packaging of the Company's finished product. The glass bottle industry is highly concentrated with only a small number of producers worldwide. In Canada, there is only one commercial glass supplier. In 1999, the Company finalized a ten-year agreement with its principal glass supplier. The Company will realize future long-term benefits from this strategic alliance including cost reductions.

During 1999, the Company consolidated its Ontario warehousing needs into a central warehouse located in Mississauga. By combining all of Ontario's finished goods inventory into one facility, the Company has been able to reduce its overall distribution costs and will eventually allow the Company to reduce finished goods inventory requirements.

During 1999, the Company crystallized the earn-out provision of the RJ Grape acquisition. This will facilitate the integration of operations between RJ Grape and Spagnol's, which will ensure that the Company optimizes the effectiveness of its wine kit brands.

Overview

Management estimates that the overall Canadian market, including wine, refreshment and wine kits, grew by approximately 6% in 1999.

The growth trends over the past five years in the Canadian market have continued this year. Overall, wine grew by 5%, refreshment grew by 16% and wine kits grew by 5%. Particularly strong growth continued for premium products, growing by 13%. Red table wine grew by 14% partially at the expense of white table wine, which declined by 1%. Red wine now represents 46% of total table wine consumption. Popular priced wines declined over 1998 by 6% as consumers continued their migration to either premium wines or wine kits. Popular priced wines now represent 45% of total table wine consumption.

Vincor's sales volume grew by approximately 23% in 1999. The Company sold 11.2 million cases (cases represent equivalent 9-litre cases) as compared to 9.1 million cases in 1998. Volume growth was recorded in all areas of the market including wine, refreshment and wine kits. As well the Company produces and sells products that satisfy consumer demand by offering a wide range of products from popular brands to premium and specialty brands, including icewine. In 1999, Vincor's sales represented 25% by volume in Canada of the total wine, wine kit, cooler and cider sales.

Of the year-over-year 23% growth in the Company's unit volume, acquisitions contributed 24% due to the acquisition of Paul Masson in June 1998 and Spagnol's in February 1998. Premium brands and refreshment beverages each added 1% to the sales volume increase offset by a 3% decline in other products, primarily popular brands.

Results of Operations

1999 compared to 1998

Vincor's net income in 1999 was $11.7 million, an increase of 8% or $0.9 million over the $10.8 million recorded in 1998. However, during 1998 the Company received a prior years' tax refund of $0.7 million. On a comparable basis, net income in 1999 increased by 16% over 1998.

Basic earnings per share in 1999 was $0.84 as compared to $0.85 in fiscal 1998 while fully diluted earnings per share remained unchanged at $0.81. Earnings per share growth did not parallel earnings growth as the 1998 tax refund added $0.06 to the 1998 earnings per share. As well, during the second quarter of 1998, the Company issued an additional 2.0 million shares.

Net sales increased 23% to $253.2 million in 1999, an increase of $46.8 million as compared to $206.4 million in 1998. Additional sales volume due to acquisitions added $41.5 million. Sales volume, excluding acquisitions, decreased year-over-year but due to the higher proportion of premium brands and higher average net selling prices, sales increased by $5.3 million. The Company's average net selling price has increased year-over-year due to pricing actions to offset the softer Canadian dollar as well as reflecting a change in sales mix due to the increase in volume of premium wines.

In 1999, the average net selling price per case for wine was $29.70 representing a 1% increase from $29.45 per case in 1998. Removing the effect of the Paul Masson acquisition, the 1999 average net selling price per case for wine was $30.22, an increase of 3% from 1998. The average net selling price per case for refreshment products in 1999 was $16.74, an increase of 3% as compared to $16.29 in 1998.

Cost of goods sold for fiscal 1999 was $158.2 million, an increase of $34.6 million from $123.6 million in fiscal 1998. This increase is due to higher volume resulting primarily from acquisitions ($31.7 million) and a higher average product cost ($2.9 million) mainly as a result of product mix and the impact of the weaker Canadian dollar.

Vincor's gross margin percentage has declined year-over-year from 40% in 1998 to 38% in 1999 due to the Company's most recent acquisitions, Paul Masson and Spagnol's. Both of these activities realize a lower gross margin than the base business. Without the effect of these acquisitions, Vincor's gross margin has remained unchanged year-over-year. Over the next year the Company will begin to realize synergies from these acquisitions, which are expected to improve gross margin.

Selling and administrative costs for the year were $60.1 million, an increase of $5.3 million or 10% from $54.8 million in 1998 primarily due to acquisitions. Removing the effect of acquisitions, the Company's selling and administrative expenses year-over-year have decreased marginally.

Depreciation and amortization expense increased by $1.8 million to $8.7million in 1999 from $6.9 million in 1998. Amortization of goodwill has increased year-over-year by $0.9 million due to acquisitions and depreciation expense has increased by $0.9 million due to investment in capital assets.

As a result of the above, operating income in 1999 increased by 25% to $26.4 million as compared to $21.1 million in 1998.

Interest expense in 1999 increased by $2.7 million to $5.2 million reflecting higher levels of debt due to the funding of acquisitions, and a higher average cost of borrowing.

FINANCIAL CONDITION

(In millions of dollars) March 31	1999	1998
Total Debt (including short-term portion)	$ 92.5	$ 50.9
Shareholders' Equity	115.8	102.3
Total Capitalization	$ 208.3	$ 153.2
Debt-to-total-capital Ratio	0.44:1	0.33:1

In 1999, the Company's debt increased $41.6 million. Borrowings for acquisition related activity were $33.2 million. Investment activities during 1999 included capital spending of $18.4 million as compared to $9.9 million in 1998. During the year, the Company continued to invest in projects to support future growth of the business. Additional funds to finance the above activities were generated from increased earnings and the sale of redundant assets that were previously acquired through acquisitions. These assets were sold for their net book value and therefore, no gain or loss was realized.

Inventory levels at March 31, 1999 were $83.1 million, up $18.0 million from $65.1 million at March 31, 1998. This increase reflects higher levels of inventory to ensure the smooth integration of major projects that the Company undertook during the year namely; the combining of the Paul Masson operations into the Company's existing Quebec operations; the development of self-manufacturing capability at Spagnol's; and the consolidation of the Ontario warehouse distribution operations. As well, inventory increased year-over-year due to higher levels of icewine inventory and other premium products needed to satisfy increasing sales demand.

As at March 31, 1999, the Company had unused borrowing capacity of $10.9 million, subject to bank covenant restrictions. Borrowings are at floating interest rates. The Company has entered into a series of swap arrangements in order to fix interest rates as a hedge against interest rate increases. As at March 31, 1999, the Company had $65.0 million in outstanding swaps with interest rates ranging from 5.4% to 5.8%. The effect of unwinding these swaps on March 31, 1999 thereby moving all borrowings to variable interest rates would have been a cost to the Company of $0.7 million.

Vincor will continue to invest, supporting growth opportunities and upgrading existing facilities. Future investment requirements are expected to be financed by existing banking facilities and through cash generated by operations.

Managing the Year 2000

During 1999, Vincor replaced its financial, inventory management and production software with software that is fully year 2000 compliant. As well, the Company established a multi-functional committee to identify, investigate, assess and test all other critical software to ensure year 2000 date change issues are resolved in advance of December 31, 1999. Customers and suppliers of materials and services are being surveyed and where appropriate, are asked to produce a certificate of compliance. While the Company's strategy includes a contingency plan to address unforeseen problems in an effort to minimize the impact on operations, it is not possible to be certain that all aspects of the year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. Costs attributable to the purchase of new software and hardware have been capitalized. Other costs are expensed as incurred. These costs have not had a material effect on the net operating income of the Company.

Other Risks and Uncertainties

The greatest challenge to the Canadian wine industry in the upcoming years will be to ensure an adequate supply of premium quality grapes. Vincor's management will continue to aggressively address this issue. The Company will explore methods of ensuring supply through vineyard development, vineyard management and grower relationships. Vincor has developed an extensive network of long-term relationships with growers and suppliers, with whom the Company will continue to work closely throughout every phase of the growing process to ensure quality grapes are consistently achieved. In this way, the Company will ensure its supply of quality grapes so that it can continue to produce premium quality products.

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Vincor International Inc. have been prepared by management and approved by the Board of Directors. Management is responsible for the information and representation contained in these financial statements and other sections of this Annual Report.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management, to meet its responsibility for the integrity and objectivity of data in the consolidated financial statements, has developed and maintains a system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurance that the financial records are reliable and form a proper basis for preparation of financial statements and the assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for financial statements in this Annual Report principally through its Audit Committee. The Shareholders' auditors have full access to the Audit Committee, with and without management being present.

The consolidated financial statements have been examined by the Shareholders' auditors, KPMG Chartered Accountants, and their report is shown as part of the consolidated financial statements.

Donald L. Triggs

Donald L. Triggs

President and
Chief Executive Officer

R G Jones

Richard G. Jones

Executive Vice-President,
Finance and Administration

May 21, 1999

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Vincor International Inc. as at March 31, 1999 and 1998 and the consolidated statements of operations, retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Mississauga, Canada

May 21, 1999

Consolidated Balance Sheets

March 31, 1999 and 1998 (in thousands of dollars)	1999	1998
Assets		
Current assets		
Accounts receivable	$ 33,283	$ 30,415
Inventories (note 3)	83,111	65,077
Prepaid expenses	1,070	754
Assets held for resale	–	1,767
	117,464	98,013
Fixed assets (note 4)	59,997	45,150
Other assets (note 5)	4,112	5,038
Goodwill, net of amortization of $8,164 (1998 – $4,331)	83,012	54,895
	$ 264,585	$ 203,096
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness (note 6)	$ 50,843	$ 28,463
Accounts payable and accrued liabilities	41,887	35,027
Income and other taxes payable	943	4,168
Deferred income taxes	1,359	1,066
Current portion of long-term debt	10,420	3,990
	105,452	72,714
Long-term debt (note 6)	31,280	18,410
Deferred income taxes	12,060	9,629
Shareholders' equity		
Capital stock (note 8)	84,689	82,919
Retained earnings	31,104	19,424
	115,793	102,343
Commitments (note 11)		
	$ 264,585	$ 203,096

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Operations

Years ended March 31, 1999 and 1998 (in thousands of dollars, except per share data)	1999	1998
NET SALES	$ 253,229	$ 206,431
Operating expenses		
Cost of goods sold	158,155	123,575
Selling and administration	60,058	54,792
Depreciation and amortization	8,662	6,947
Total operating expenses	226,875	185,314
Operating income	26,354	21,117
Interest	5,155	2,514
Income before income taxes	21,199	18,603
Income taxes (note 9)	9,519	7,778
NET INCOME	$ 11,680	$ 10,825
Per common share		
Basic	$ 0.84	$ 0.85
Fully diluted	$ 0.81	$ 0.81

Consolidated Statements of Retained Earnings

Years ended March 31, 1999 and 1998 (in thousands of dollars)	1999	1998
RETAINED EARNINGS, BEGINNING OF YEAR	$ 19,424	$ 8,599
NET INCOME	11,680	10,825
RETAINED EARNINGS, END OF YEAR	$ 31,104	$ 19,424

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended March 31, 1999 and 1998 (in thousands of dollars)	1999	1998
CASH PROVIDED BY (USED IN)		
Operating activities		
Net income	$ 11,680	$ 10,825
Operating charges not affecting cash:		
Depreciation	3,904	4,011
Amortization of goodwill and financing costs	4,758	2,936
Deferred income taxes	2,161	1,554
Other non-cash items	(6)	(370)
	22,497	18,956
Change in non-cash working capital	(9,533)	(16,193)
Cash from operating activities	12,964	2,763
Financing activities		
Issuance of term bank debt	24,600	15,000
Repayment of term bank debt	(5,300)	(23,600)
Issuance of common shares, net	1,770	24,121
Cash from financing activities	21,070	15,521
Investing activities		
Purchase of fixed assets	(18,405)	(9,901)
Acquisitions (note 2)	(37,182)	(18,433)
Proceeds from fixed asset disposals	10	144
Proceeds from other asset disposals, net of investments	1,767	2,945
Cash used in investing activities	(53,810)	(25,245)
Decrease in cash	(19,776)	(6,961)
Bank indebtedness, beginning of year	(28,463)	(21,614)
Cash of acquired business	(2,604)	112
BANK INDEBTEDNESS, END OF YEAR	$ (50,843)	$ (28,463)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 1999 and 1998 (in thousands of dollars)

1. Significant Accounting Poli

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies adopted by the Company are as follows:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of significant intercompany balances and transactions.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from those estimates.

(c) Inventories

Packaging materials and supplies are valued at the lower of cost (determined on a first-in, first-out basis) and replacement cost. Inventories of bulk wine and finished goods are valued at the lower of cost and net realizable value.

(d) Assets held for resale

Assets held for resale are valued at the lower of fair value assigned at the date of acquisition and estimated net realizable value.

(e) Fixed assets

Fixed assets acquired are recorded at cost net of related investment tax credits and government assistance. Costs of maintenance and repairs are expensed as incurred. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets of 40 years on buildings and 12 years on storage tanks, machinery and equipment.

Vineyard development costs are capitalized and amortized using the unit of production method over the period from initial production to the lesser of the term of the land lease or the useful life of the vineyards. Vineyard maintenance costs are expensed as incurred.

(f) Goodwill

The cost of acquired businesses is allocated first to identifiable assets and liabilities based on estimated fair values. The excess of cost over identifiable assets and liabilities is recorded as goodwill and amortized over a period of up to 40 years. The Company continually reevaluates the propriety of the carrying amount of goodwill as well as the related amortization period to determine whether current events and circumstances warrant adjustment to the carrying values or estimate of useful life. This evaluation is based on the Company's projection of the undiscounted future operating results. At this time, management believes that no impairment of goodwill has occurred and that no reduction of the estimated useful life is warranted.

(g) Deferred financing costs

Deferred financing costs are being amortized on the straight-line basis over the term of the related debt ranging from 5 to 8 years.

(h) Income taxes

Income taxes are recorded on the tax allocation basis. Deferred income taxes are provided for all significant timing differences between accounting and taxable income.

(i) Income per common share

Income per common share has been calculated using the weighted average number of common shares outstanding during the year. Fully diluted income per share reflects the dilutive effect of exercising the options outstanding at the end of the year.

(j) Comparative information

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

2. Acquisitions

(A) On June 2, 1998, the Company acquired all the outstanding shares of Groupe Paul Masson Inc., a manufacturer and distributor of wine in Quebec.

(B) On July 17, 1998, the Company signed an agreement that finalized the earn-out payment relating to the acquisition of RJ Grape Products Inc. in March 1997. The remaining payments will be made over the next two years.

During fiscal 1998, the Company acquired all the outstanding shares of Spagnol's Wine & Beer Making Supplies Limited, a leading producer and distributor of home wine making kits.

Details of these acquisitions, which have been accounted for as purchases, are as follows:

	1999	1998
FAIR VALUE OF NET ASSETS ACQUIRED		
Current assets	$ 10,543	$ 6,326
Fixed assets	350	2,688
Goodwill	31,950	12,461
	42,843	21,475
Current liabilities	5,391	3,042
Deferred income taxes	270	–
	5,661	3,042
TOTAL PURCHASE PRICE	$ 37,182	$ 18,433
Consideration		
Cash, including acquisition costs	$ 37,182	$ 18,033
Common shares	–	400
	$ 37,182	$ 18,433

3. Inventories

	1999	1998
Packaging materials and supplies	$ 8,782	$ 6,231
Bulk wine	46,684	38,163
Finished goods	27,645	20,683
	$ 83,111	$ 65,077

Fixed Assets

	Cost	Accumulated depreciation	1999 Net book value	1998 Net book value
Land	$ 4,616	$ –	$ 4,616	$ 2,407
Vineyards	6,334	182	6,152	2,076
Buildings	21,245	4,495	16,750	13,753
Storage tanks, machinery and equipment	54,072	21,593	32,479	26,914
	$ 86,267	$ 26,270	$ 59,997	$ 45,150

5. Other Assets

	1999	1998
Deferred financing costs, net of amortization of $5,528 (1998 – $4,603)	$ 619	$ 1,545
Deferred pension costs (note 10)	3,481	3,481
Other investments	12	12
	$ 4,112	$ 5,038

6. Long-Term Debt

	1999	1998
Bank loan (effective interest rate 1999 – 5.9%, 1998 – 5.4%)	$ 41,700	$ 22,400
Less current portion	10,420	3,990
	$ 31,280	$ 18,410

Bank loan

The Company has a bank loan with three separate credit facilities (Revolving, Term, Acquisition) at floating interest rates. Borrowings are secured by assignment of accounts receivable and inventories, a fixed and floating charge on fixed assets and a security in all other assets.

The Revolving facility, with a borrowing limit of $60.0 million (1998 – $47.0 million), expires October 31, 1999 and requires no repayment until expiry. With the agreement of the bank, the term of the facility may be extended annually by one year. As at March 31, 1999, the unused portion of the facility was $10.9 million. This facility has been classified as current bank indebtedness on the consolidated balance sheet.

The Term and Acquisition facilities require eight semi-annual repayments totalling $5.2 million commencing March 31, 1999 with the balance repayable on March 31, 2003.

The Company has entered into a series of swap agreements at fixed interest rates as a hedge against interest rate exposure. See fair value of financial instruments, note 7.

Interest on long-term debt amounted to $2,641 for the year (1998 – $1,351).

7. Fair Value of Financial Instrument

Accounts receivable, accounts payable and accrued liabilities and income and other taxes payable are reflected in the financial statements at carrying values which approximate fair values because of the short-term maturities of these instruments.

The Company has entered into a series of swaps to hedge interest rate exposure on its debt. The income or expense arising from these activities is offset against the item hedged. Unrealized gains or losses on outstanding contracts are not recorded in the financial statements until maturity of the underlying transactions. As at March 31, 1999, the Company had $65.0 million in outstanding swaps with interest rates ranging from 5.4% to 5.8%. The fair value of these swaps has been determined by the calculation of the cost of unwinding the swaps with the counterparty at year-end market rates and amounted to a loss of $743.

8. Capital Stock

Public offering

On September 24, 1997, the Company sold 2,000,000 common shares for $24,046; net of underwriters' fees and expenses. The proceeds from the offering were used to repay bank indebtedness.

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of preferred shares issuable in one or more series and an unlimited number of common shares.

Common share transactions were as follows:

(Number of shares)	1999	1998
Balance, beginning of year	13,722,393	11,666,643
Issued for cash	–	2,000,000
Other options exercised	359,565	18,860
Shares issued, Outside Directors Compensation Plan	1,058	5,456
Shares issued as acquisition consideration (note 2)	–	31,434
Shares issued as other consideration	33,501	–
Balance, end of year	14,116,517	13,722,393

The weighted average number of common shares at March 31, 1999 was 13,876,190 (1998 – 12,716,111). On a fully diluted basis, the weighted average number of common shares in 1999 was 14,803,825 (1998 – 13,734,286).

	1999	1998
Balance, beginning of year	$ 82,919	$ 58,324
Issued for cash, net	–	24,046
Other options exercised	1,252	77
Shares issued, Outside Directors Compensation Plan	18	72
Shares issued as acquisition consideration (note 2)	–	400
Shares issued as other consideration	500	–
Balance, end of year	$ 84,689	$ 82,919

Stock option plan

The Company has a stock option plan for key employees and directors. Under the plan, options may be granted to purchase common shares at a price which is not less than the market price on the date of the grant. The outstanding options have expiry dates extending to March 24, 2009 with prices ranging from $3.15 to $16.70 per share. The Company has 191,000 shares reserved and unissued under this plan as at March 31, 1999. Options granted are summarized as follows:

	1999	1998
Balance, beginning of year	1,116,569	1,066,134
Granted	263,500	104,500
Exercised	(359,565)	(18,860)
Cancelled	(92,869)	(35,205)
Balance, end of year	927,635	1,116,569

Outside directors share compensation plan

The Company established an Outside Directors Share Compensation Plan ("Plan") in June 1996. The Company has reserved 75,000 shares under this Plan of which 1,058 shares were issued in 1999 (1998 – 5,456). Shares are issued at market price.

9. Income Taxes

The Company's consolidated effective income tax rate is as follows:

	1999	1998
Combined federal and provincial statutory income tax rate	42 %	42 %
Manufacturing and processing profits deduction	(3)	(3)
Permanent differences	7	4
Large corporation tax	1	1
	47	44
Other	(2)	(2)
	45 %	42 %

10. Pensions

The Company provides pension benefits for its hourly and salaried employees through contributory defined benefit pension plans, a defined contribution plan and a supplemental pension plan. The plans are funded by the Company in accordance with regulatory requirements and the plan provisions based on the latest actuarial valuations. As at December 31, 1998, the market value of the defined benefit pension fund assets amounts to $37,383 and the estimated actuarial present value of accrued pension benefits attributed to services rendered amounts to $23,693. Of the surplus of $13,690, $3,481 has been recognized in the balance sheet as deferred pension costs representing the cumulative amount credited to operations in excess of required funding.

11. Commitments

Future minimum lease payments under long-term non-cancellable lease agreements for land, buildings, retail store premises and equipment are as follows:

2000	$ 5,262
2001	5,083
2002	4,905
2003	4,645
2004	4,328
Thereafter	5,950
	$ 30,173

In addition, the Company has operating leases for 122 vehicles with a current monthly lease cost of approximately $100.

12. Segment Information

The Company's operations, which constitute a single operating segment, consist primarily of the production, marketing and distribution of wines and related refreshment beverages principally in Canada.

The Company's sole significant customer is government liquor control boards, representing approximately 66% of the Company's net sales.

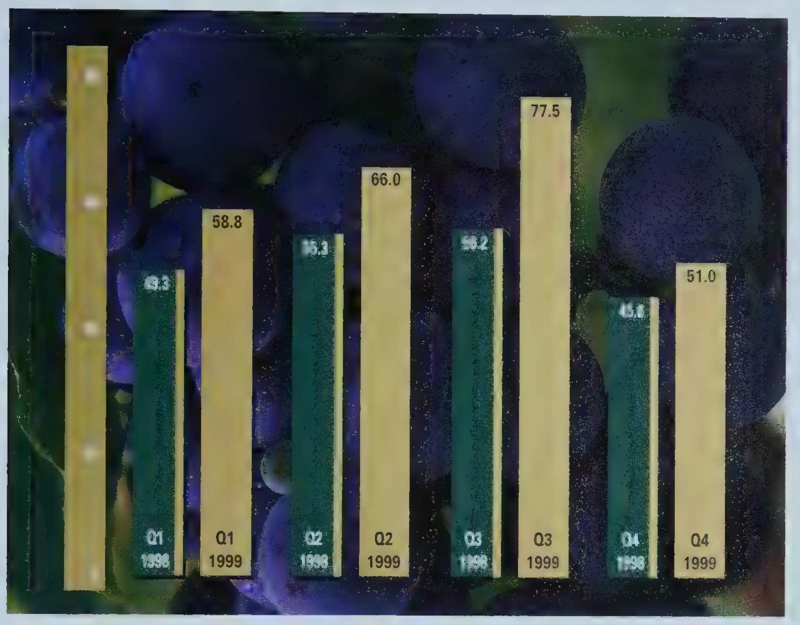
13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Some date-sensitive systems may not recognize the year 2000 which may result in errors when information using year 2000 dates is processed. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Quarterly Financial Data

Seasonal Sales

IN $ MILLIONS



Wine and refreshment consumption is seasonal in nature. Sales tend to increase in advance of holiday periods, and during promotional periods. Therefore, the Company's sales and operating results by quarter will fluctuate.

(In thousands of dollars, except per share amounts and stock prices) unaudited

	Sales	Operating Income	Net Income	Earnings Per Share		Price Range Per Share on The Toronto Stock Exchange	
				Basic	Fully Diluted	High	Low
1999 [1,2]							
First Quarter	58,748	4,622	2,003	0.15	0.14	17.95	13.60
Second Quarter	66,033	8,502	3,875	0.28	0.26	19.00	11.60
Third Quarter	77,476	10,165	4,883	0.35	0.33	15.00	13.10
Fourth Quarter	50,972	3,065	919	0.07	0.07	14.50	12.50
	253,229	26,354	11,680				
1998 [1]							
First Quarter	49,289	3,837	1,720	0.15	0.14	13.15	11.25
Second Quarter	55,272	6,789	3,291	0.28	0.26	13.45	11.50
Third Quarter [3]	56,244	8,074	4,171	0.31	0.29	13.75	12.00
Fourth Quarter [4]	45,626	2,417	1,643	0.12	0.12	14.75	12.00
	206,431	21,117	10,825				

(1) Prior period results have been restated for comparative purposes.

(2) Results for fiscal 1999 include sales of $21,900 from Paul Masson which was acquired on June 2, 1998.

(3) On September 24, 1997, the Company issued an additional 2,000,000 common shares.

(4) Results include sales of $2,600 from Spagnol's and a prior years' tax refund of $725.

Financial Data

	1999 [1]	1998 [2]	1997 [3]	1996 [4]	1995 [5]
Operations (In thousands of dollars)					
Sales	253,229	206,431	166,684	129,446	114,522
Operating income	26,354	21,117	16,064	13,376	9,046
Net income	11,680	10,825	6,567	2,323	1,136
Per common share ($)					
Basic	0.84	0.85	0.63	0.39	0.20
Fully diluted	0.81	0.81	0.59	0.37	0.19
Financial ratios					
Operating income	10.4%	10.2%	9.6%	10.3%	7.9%
Net income	4.6%	5.2%	3.9%	1.8%	1.0%
Debt-to-total-capital ratio [6]	0.44:1	0.33:1	0.44:1	0.78:1	0.79:1
Financial position (In thousands of dollars)					
Total assets	264,585	203,096	165,235	142,030	112,370
Bank debt	92,543	50,863	52,614	69,747	57,079
Subordinated debt	–	–	–	13,370	13,370
Preferred shares [7]	–	–	–	6,073	3,744
Shareholders' equity	115,793	102,343	66,923	17,781	15,458

(1) Results include the acquisition of Paul Masson as at June 2, 1998.

(2) Results include the acquisition of Spagnol's as at February 9, 1998 and a prior years' tax refund of $725.

(3) The Company began public trading on June 6, 1996. Results include the acquisition of Inniskillin Okanagan as at October 2, 1996, London Winery as at December 10, 1996 and RJ Grape as at March 3, 1997.

(4) Results include the acquisition of Dumont as at January 10, 1996 and OWAP receipts of $480.

(5) Results include OWAP receipts of $965.

(6) Bank debt and subordinated debt to the total of bank debt, subordinated debt, preferred shares and shareholders' equity.

(7) Preferred shares were redeemed for $3 per share on June 6, 1996 prior to the Company's Initial Public Offering.

Directors and Officers

Directors

Directors nominated for election
at the Annual Meeting

Mark L. Hilson*†
Chair, Board of Directors
Vice-President, Onex Corporation

Donald L. Triggs†
President and Chief Executive Officer
Vincor International Inc.

Donald J.P. Ziraldo
President, Inniskillin Wines Inc.

Michael Bregman*
Chairman and Chief Executive Officer
The Second Cup Ltd.

Jonathan H. Deitcher
Vice-President and Director
RBC Dominion Securities

Carr Hatch
Chairman and Chief Executive Officer
Arimtec International Inc.

Pierre Marc Johnson†
Senior Counsel
Heenan Blaikie

Robert W. Luba*†
President, Luba Financial Inc.

Dean Metcalf*†
Portfolio Manager, Merchant Banking
Ontario Teachers' Pension Plan Board

Heather M. Reisman†
President and Chief Executive Officer
Indigo Books & Music, Inc.

Gerald W. Schwartz
Chairman and Chief Executive Officer
Onex Corporation

Hugh Segal†
President, The Institute of Public Policy
and Adjunct Professor of Business,
Queen's University

Officers and Senior Management

Donald L. Triggs
President and Chief Executive Officer

Richard G. Jones
Executive Vice-President,
Finance and Administration

Keith Davis
Executive Vice-President,
Sales and Marketing

Christos Efpraxiadis
Executive Vice-President, Operations

Roger Provost
Executive Vice-President, International

Bruce D. Walker
Executive Vice-President
Government and Industry Relations

Randall K. Bird
President, RJ Grape Products Inc.

Allan H. Jackson
Vice-President, Research and Development

Bernard Jodoin
President, Quebec Division

Ron Pasternak
Vice-President, General Manager, Retail

Don Sproule
President, Spagnol's Wine & Beer
Making Supplies Ltd.

Donald J.P. Ziraldo
President, Inniskillin Wines Inc.

* Member of the Audit Committee

† Member of the Compensation, Organization,
Nominating & Governance Committee

Corporate Data

Head Office

Vincor International Inc.
441 Courtneypark Drive East
Mississauga, Ontario L5T 2V3
1-800-265-9463

Legal Counsel

Goodman Phillips & Vineberg
Toronto, Ontario

Auditors

KPMG, LLP
Mississauga, Ontario

Bank

Bank of Nova Scotia
Toronto, Ontario

Transfer Agent

Montreal Trust Company of Canada
Toronto, Ontario

Stock Symbol

Vincor's shares are listed on
The Toronto Stock Exchange
and the Montreal Exchange
under the trading symbol VN

Annual Meeting

The annual meeting
of the shareholders of
Vincor International Inc.
will be held on
August 11, 1999,
at 4:00 p.m. at
The Art Gallery Of Ontario
317 Dundas Street West,
Toronto, Ontario

Principal Operating Divisions and Subsidiaries

Wineries

Niagara Falls, Ontario

Niagara-on-the-Lake, Ontario

Oliver, British Columbia

Rougemont, Quebec

Scoudouc, New Brunswick

Wholly-Owned Subsidiaries

Vincor (Québec) Inc.
Rougemont, Quebec

Inniskillin Okanagan Vineyards Inc.
Oliver, British Columbia

Inniskillin Wines Inc.
Niagara-on-the-Lake, Ontario

RJ Grape Products Inc.
Kitchener, Ontario

Spagnol's Wine & Beer Making Supplies Ltd.
Vancouver, British Columbia

Rapport en français

Si vous désirez un exemplaire
de ce rapport en français,
veuillez communiquer avec
Vincor International Inc.
441 Courtneypark Drive East
Mississauga (Ontario) L5T 2V3

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INVESTING IN GROWTH